

DSV embarks on 'mammoth test' as DB Schenker integration begins: CEO



The DSV-DB Schenker integration and restructuring process is expected to cost \$1.67 billion, with up to \$380 million to be recorded under "special items" on this year's financials. Photo credit: DSV.

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DSV completed its all-cash \$16.25 billion takeover of DB Schenker Wednesday and began a multi-year journey to integrate its largest-ever acquisition in a process CEO Jens Lund described as "a mammoth test" for the combined forwarding group.

"You've furnished the capital, and now we have to deliver on the business plan," Lund told investors on DSV's first-quarter earnings call after reporting a strong start to the year.

DSV's first-quarter revenue increased 8.2% year over year to \$6.3 billion, while gross profit was up 6.2% at \$1.7 billion. Its earnings before interest and taxes (EBIT) rose

4.8% to \$588 million and net profit for the first three months came in at \$428 million, up 17.5% year over year.

Ocean volume of 653,000 TEUs in the first quarter was up 3% year over year, but gross profit per TEU increased 14% to \$503 million. Air freight volume remained flat through the first quarter at 334,000 tons, with gross profit per ton rising 5% to \$1,400.

Although DSV executives emphasized the solid start to the year, the DB Schenker acquisition from parent Deutsche Bahn dominated the earnings call. Financial analysts were particularly focused on the synergies that would result from the combined company and the high costs of the integration.

CFO Michael Ebbe said DSV “has only just received the keys” to DB Schenker, and while the synergies are expected to reach \$1.37 billion by 2028 when the integration is completed, more details would be provided later this year. The synergies relate to the savings from a consolidation of operations, logistics facilities, back-office functions, finance and IT infrastructure.

“But I think it’s important to notice that this acquisition is different from what we have previously done and the synergies are split over a broader area,” Ebbe said. “Because there is a sizable business in road and in solutions that means that in terms of consolidation of warehouses and equipment, it is a bigger than what we have done before.” The solutions business will be renamed “contract logistics.”

Huge scale of combined networks

DB Schenker is DSV’s largest acquisition by a huge margin, having previously taken over Agility’s Global Integrated Logistics (GIL) in 2021 for \$4.2 billion, Panalpina in 2019 for \$4.6 billion and UTi in 2015 for \$1.35 billion.

The integration and restructuring process is expected to cost \$1.67 billion with up to \$380 million to be recorded under “special items” on this year’s financials.

The high cost of the integration process is hardly surprising, with Lund outlining the enormous scale of the combined networks. DSV’s 73,500 employees will be joined by DB Schenker’s 85,800 staff; DB Schenker will add annual revenue of \$22 billion to DSV’s \$25.5 billion (based on 2024 results); annual air freight volume will rise from 1.4 million tons to 2.4 million tons; sea freight volume will increase from 2.7 million TEUs to 4.5 million TEUs; road freight revenue will grow from the current \$6.14 billion to \$8.6 billion and total warehousing space will expand from 9.2 million square meters to 17.7 million square meters.

The combined entity also comes with a round of appointments with executives being promoted from both DSV and DB Schenker.

Global uncertainty impacts full-year profit forecasts

DSV's EBIT prediction for 2025 has been significantly revised upward and is now expected to be between \$3 billion and \$3.2 billion, up almost 25% compared with the guidance issued at the start of the year and entirely related to the expected Schenker impact.

The underlying DSV standalone guidance was left unchanged, following similar moves by rivals Kuehne + Nagel and DHL, who also decided not to tamper with their full-year profitability expectations in such an uncertain geopolitical environment.

But Ebbe played down the impact to DSV of the US-China trade dispute, despite having 25% of its overall trade exposed to the US market.

"The US is a significant market for us, but total direct China-US trade for us is around 5% of our total, so we will stick to our [post-closing] guidance, and also on DSV's standalone guidance," he said.

DHL wary of tariff effects

Meanwhile, the DHL Group on Wednesday posted 2.8% year-over-year growth in first-quarter revenue of \$23.6 billion, while EBIT was up 4.5% at \$1.555 billion. DHL is still expecting a full-year operating result of at least \$6.8 billion in 2025, but that came with a large caveat.

"We explicitly do not account for potential effects from changes in tariffs and trade policies, which could have significant negative, but also positive, impacts on our business," DHL Group CFO Melanie Kreis said in a statement on the first-quarter results.

DHL Global Forwarding posted a 3.2% year-over-year increase in revenue in the first quarter to \$5.2 billion, but EBIT plunged 23% to \$298 million as economic weakness in Germany and the European road freight business dragged down earnings.

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